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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.
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09/328,856 06/09/99 DAVIS

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EXAMINER

TM02/0228

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PARISI, J

ART UNIT

PAPER NUMBER

2166

DATE MAILED:

02/28/01

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Please find below and/or attached an Office communication concerning this application or proceeding.

Commissioner of Patents and Trademarks

Office Action Summary

Application No.

09/328,856

Applicant(s)

DAVIS ET AL.

Examiner

Joe Parisi

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136 (a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 09 June 1999.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-45 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-45 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claims _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☒ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 09 June 1999 is/are objected to by the Examiner.
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. § 119

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☒ Acknowledgement is made of a claim for domestic priority under 35 U.S.C. § 119(e).

Attachment(s)

- 15) ☒ Notice of References Cited (PTO-892)
- 16) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 17) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____
- 18) ☐ Interview Summary (PTO-413) Paper No(s). _____
- 19) ☐ Notice of Informal Patent Application (PTO-152)
- 20) ☐ Other:

DETAILED ACTION

Status of Claims

1. The claims currently pending before this office are numbers 1-45 as filed in applicant's initial correspondence filed on June 9, 1999. Claims 1-45 are reviewed in this Office Action.

Priority Date

2. Acknowledgement is made of provisional application number 60/088969 establishing the priority date of the instant application as June 10, 1998.

Drawings

3. The drawings are objected to as failing to comply with 37 CFR 1.84(g) because the margins and quality of the lines are not acceptable. Correction is required.

Specification—Disclosure

4. The disclosure is objected to because of the following informality: On page 3, line 24 there appears to be a spelling error. "[E]mployer may chose to fund ..." is incorrect. The examiner assumes the sentence should read "[E]mployer may choose to fund" Appropriate correction is required.

Claim Rejections - 35 USC § 102

5. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

6. Claims 1-45 are rejected under 35 U.S.C. 102(b) based upon a public use or sale of the invention.

With regard to claims 1-45, the article entitled “Nest Egg Plans Raise Thorny Tax Issues,” by Cynthia Crosson from *National Underwriter*, February 20, 1995, describes the Corporate Compensation product that makes substitute continuing periodic payments into investment accounts during a period of employee nonpayment due to a disability.

The method taught for continuing periodic payments into investment accounts during a period of disability replaces the annual payments that the employer and employee make into a pension plan (see p. 2, paragraph 9). The insurer picks up the payments and as such, the pension plan continues to grow as if the worker were contributing to it through the normal payroll deduction and/or employer matching contributions. Tax consequences are minimized by ensuring that employers pass the premium on to employees (see p. 3, paragraph 1).

7. Claims 1-9, 19-20, and 26-45 are rejected under 35 U.S.C. 102(b) as being anticipated by the enclosed article “Nest Egg Plans Raise Thorny Tax Issues,” by Cynthia Crosson from *National Underwriter*, February 20, 1995 (hereafter referred to as “Crosson”).

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With regard to claim 1, the Crosson article describes an array of investment products offering options tied to long-term disability policies. The product replaces the annual payments that the employer and employee make into a pension plan (see p. 1, paragraph 1). That is, the products make substitute continuing periodic payments into an investment account normally paid from a specific source, during a period of nonpayment from the specific source, wherein the nonpayment is due to a particular condition. As such, claim 1 is rejected.

Claims 29 and 30 are substantially similar to claim 1 and as such, they are rejected for similar reasons.

With regard to claims 2 and 20, the Crosson article describes the annual payments as directed toward an employer-sponsored retirement plan (see p. 1, paragraph 5). That is, the said investment account is established within a retirement plan. As such, claims 2 and 20 are rejected.

With regard to claim 3, the Crosson article describes the UNUM product where payments are directed to a defined contribution plan (see p. 2, paragraph 1). That is, the said investment account is established within a defined contribution plan. As such, claim 3 is rejected.

With regard to claim 4, the Crosson article further describes the Disability Specialists' product where the benefits paid out are tax-free if the employee pays the insurance premiums

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(see p. 2, paragraph 6). That is, the said investment account is established within a tax-qualified retirement plan. As such, claim 4 is rejected.

With regard to claim 5, the Crosson article further describes the UNUM product where payments are directed to a defined contribution plan (see p. 2, paragraph 1). Further, UNUM's product allows either the employee or the employer to pay the premium. If the employee pays, the benefits are paid on a tax-free basis (see p. 2, paragraph 8). That is, the tax-qualified retirement plan is a defined contribution retirement plan. As such, claim 5 is rejected.

With regard to claim 6, the Crosson article further describes the UNUM product where payments are directed to a defined contribution plan with payout occurring at retirement (see p. 2, paragraph 1). That is, the investment account is established within a defined contribution retirement plan. As such, claim 6 is rejected.

With regard to claim 7, the Crosson article goes on to describe the UNUM product that allows the employee to pay the premium therefore creating retirement benefits paid out on a tax-free basis (see p. 2, paragraph 6). That is, the defined contribution retirement plan is a tax-qualified retirement plan. As such, claim 7 is rejected.

With regard to claims 8 and 9, the Crosson article describes the overview of products as options to a long term disability policy designed to address the fact that, once an employee is disabled, they can no longer make contributions into employer-sponsored 401(k) retirement

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plans (see p. 1, paragraph 5). That is, the investment account is established within a 401(k) plan, a retirement plan that permits deferrals from an employee's compensation for work. Therefore, claims 8 and 9 are rejected.

With regard to claim 19, Crosson teaches that the insurance policy is a disability insurance policy (see page 1, paragraph 5). Therefore, claim 19 is rejected.

With regard to claim 26, Crosson teaches that the insurance policy makes the same annual contribution to the individual annuity during the period of disability (see page 2, paragraph 2). That is, benefits are paid from the insurance policy to the retirement plan. Therefore, claim 26 is rejected.

With regard to claims 27 and 28, Crosson teaches that the insurance policy premiums are paid on a monthly basis (see page 2, paragraphs 1, 6, 8, and 10). That is, the investment account is established and paid into in consecutive fixed time periods by paying premiums, and benefits under the insurance policy are paid into said investment account upon occurrence of said particular condition, such as a disability, in a second, later time period. Therefore, claims 27 and 28 are rejected.

With regard to claim 31, Crosson does not explicitly describe the systems employed by UNUM, Standard of Oregon, Corporate Compensation Plans, and Disability Specialists, Inc., but focuses rather on the product offerings to potential customers. However, inherent in the methods

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and programs developed by the listed companies to deliver their disability insurance products are the infrastructures and systems necessary to output and realize those methodologies.

In order to offer an insurance policy adapted to make substitute contributions to a potentially-eligible employee's retirement plan account approximately equal to those made by the employee and/or employer prior to the occurrence of a particular condition, there must be a system configured to output such a policy as a product.

Crosson teaches that the products are offered to employees as a means for guarding against missing pension plan payments if the employee becomes disabled (see p. 1, paragraphs 1, 5, 6, 7). Since 401 (k) and other pension plans, as well as disability insurance programs, are subject to federal and state regulations, inherent in the products described by Crosson are means for collecting and storing employee data to determine if the employee(s) in question are eligible to participate in the program. Further, Crosson shows an example provided by Corporate Compensation illustrating the type and amount of premium that is likely to be charged for these products (see p. 2, paragraph 10). Inherent in the determination of the premium is a means for calculating periodic premiums for each employee under the insurance product offered. Likewise, there must be accounting means in place to track premium payments and benefits paid out from plan assets. For these reasons outlined above, claim 31 is rejected.

With regard to claims 32 and 33, Crosson teaches that the insurance policy premiums are paid on a monthly basis (see page 2, paragraphs 1, 6, 8, and 10). That is, the investment account is established and paid into in consecutive fixed time periods by paying premiums, and benefits under the insurance policy are paid into said investment account upon occurrence of said

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particular condition, such as a disability, in a second, later time period. Inherent in the methods and programs developed by the listed companies to deliver the payment scenarios described are means for directing the payments from contribution sources from a prior plan period. As such, claims 32 and 33 are rejected.

With regard to claims 34-36, Crosson teaches that the supplemental disability policies are used to augment contributions to pension plans such as 401(k) and other retirement savings vehicles by replacing the annual payments that the employer and employee make into the plans with payments made with insurance proceeds if an employee is disabled (see page 1, paragraph 7). Inherent in any insurance policy, including those described by Crosson, is the eligibility of the participant. That is, if the employee is not eligible for coverage, has been terminated, or has made no premium payments, no insurance policy is in effect. Since the pension policies described by Crosson typically fund 401(k) or other programs with statutory limitations with regard to funding amounts, policy periods are measured statutorily on a yearly basis. Therefore, claims 34-36 are rejected.

With regard to claims 37-45, Crosson teaches that the insurance products offered substitute for the annual payments that the employer and employee make into a pension plan (see p. 1, paragraph 1). In order for the products to be eligible to be offered as qualified pension plans and to receive the tax-deferred treatment they market and advertise, the product must meet various IRC and federal statutory requirements. Inherent in these products then, is compliance with the applicable IRC statutes. These requirements include aggregate reporting of total

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covered lives, total insurance in force, and total premiums due on a premium due date as means of complying with IRC requirements regarding 410(b) current availability and benefit guarantees of the offered plans. If the offered products did not comply with these requirements, the tax treatment afforded them would not be allowed. Therefore, claims 37-39 are rejected.

With regard to claims 40-45, also inherent in these products offered is compliance with IRC Section 415(c) regarding limitations on the amount of contributions that may be allocated to, and the amount of benefits that may accrue or be paid to any participant under a qualified plan (e.g., the lesser of \$30,000 or 25% of employee's compensation). A qualified plan must satisfy IRC 415. If the offered products did not comply with these requirements, the tax treatment afforded them would not be allowed. Therefore, claim 40 is rejected.

Also inherent in these products offered is compliance with IRC Section 401(k) regarding non-discrimination and "premium designated" contributions. As such, claim 41 is rejected.

Inherent also, is compliance with IRC Section 401(m) regarding matching contributions paid by the employer. Accordingly, claim 42 is rejected.

Likewise inherent in the products is compliance with IRC Section 410(b) regarding classification testing in accordance with average benefit tests or premium contributions. Therefore, claim 43 is rejected.

Also inherent in the products is a means for assisting with an incidental benefit test for compliance with a rule limiting insurance premiums to 25 % of annual contributions as outlined in IRC Section 415(c). As such, claim 44 is rejected.

Further inherent in the products described is accounting means to meet minimum reporting requirements under various IRC statutes as applicable to preparation of United States Internal Revenue Service tax reporting forms 1099 and W-2. Therefore, claim 45 is rejected.

8. Claims 12-19 are rejected under 35 U.S.C. 102(b) as being anticipated by the enclosed article "CIGNA LTD Add-On Funds 401(k) During Disability," by Linda Koco from *National Underwriter*, September 24, 1990 (hereafter referred to as "Koco").

With regard to claims 12-13, the Koco article describes the CIGNA Integrated LTD/401(k) insurance product that provides 401(k) contributions during periods of disability (see p. 1, lines 18-20). Further, Koco teaches that the CIGNA insurance policy accepts funds generated by the long-term disability benefit (see p. 2, lines 22-23). That is, the policy is purchased with assets of said investment account where the source from which the payments are normally paid consists of a deferral from an employee's compensation for work. Therefore, claims 12, 13, 16, and 18 are rejected.

With regard to claims 14, 15, and 17, Koco teaches that the specific source of funds consists of funding regardless of whether the 401(k) is structured as an employee-pay-all or employer-contribution plan (see p. 1, lines 38-39). That is, the specific source comprises matching contributions from an employer of the employee. Therefore, claims 14, 15, and 17 are rejected.

With regard to claim 19, Koco teaches that the insurance policy is a disability insurance policy (see page 1, lines 14-17). Therefore, claim 19 is rejected.

Claim Rejections - 35 USC § 103

9. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

10. Claims 10, 11, and 21-25 are rejected under 35 U.S.C. 103(a) as being unpatentable over the article "Nest Egg Plans Raise Thorny Tax Issues," by Cynthia Crosson from *National Underwriter*, February 20, 1995 (hereafter referred to as "Crosson") as applied to claim 1 above.

With regard to claim 10, Crosson teaches the use of a variety of investment accounts with which to save as a means for retirement income. While Crosson does not specifically disclose the use of trusts as investment accounts to achieve this end, defined contribution plans are pension plans that provide an individual account for each participant and for benefits based on the amount contributed to the participant's account, including any income, expenses, gains, or losses. Trust accounts, likewise, are accounts held by a corporation subject to an obligation to keep or use the account for the benefit of another (beneficiary/employee). The examiner respectfully asserts that the trust account is substantially similar to the defined contribution account outlined in Crosson in that the proceeds of both accounts are held by the corporation (employer) for the benefit of the beneficiary (employee) and takes Official Notice as such. The terms within the art are often used interchangeably. The examiner further asserts that the monies paid in to defined contribution and other retirement plans are held in trust for the benefit of the

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employee and the employer, that it is well known in the financial arts to do so, and takes Official Notice as such. Payout from these accounts is requested either as a function of retirement or as a transfer to another program. One skilled in the art would have been motivated to use a trust account as an investment account in the teaching of Crosson since the necessary legal and fiduciary responsibilities of the trustee and the beneficiary have been well-defined by statute and by case law, and the outlined responsibilities are less dependent upon changing tax codes as other similar investment accounts such as 401(k) and 403 (b) accounts. Therefore, it would have been obvious to one having ordinary skill in the art, at the time the invention was made, to combine and employ trust accounts as investment accounts described in the Crosson article. Therefore, claim 10 is rejected.

While Crosson does not explicitly teach that the insurance policy is an investment of the trust, the examiner respectfully asserts that the investment in insurance policies with trust fund accounts is well known in the art and takes Official Notice as such. Examples of these retirement accounts held in trust are the Thrift Accounts of the United States Patent and Trademark Office as well as hospital retirement accounts using 403(b) qualifications. One of ordinary skill in the art would be motivated to invest in insurance policies with the trust in order to balance possible liability exposure with assets of similar liquidity. That is, potential outstanding liabilities such as home purchases or college funds or even disability or injury may be balanced with assets having a similar maturity in the future. In this manner, investors match assets and liabilities to ensure portfolio solvency within discrete time periods. Therefore, it would have been obvious to one of ordinary skill in the art, at the time the invention was made,

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to use a trust account to purchase the insurance policies as taught by Crosson. As such, claims 11 and 21-25 are rejected.

Public Use or Sale Activity Clarification

11. An issue of public use or on sale activity has been raised in this application. In order for the examiner to properly consider patentability of the claimed invention under 35 U.S.C. 102(b), additional information regarding this issue is required as follows: Please describe the material differences, if any exist, between the Corporate Compensation Plans retirement disability insurance products disclosed for sale in the Crosson article, the Koco article, and the other included articles not relied upon.

Applicant is reminded that failure to fully reply to this requirement for information will result in a holding of abandonment.

Prior Art of Record

12. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

- a. United States Patent Number 5,999,917 (Facciani et al.) 07 December 1999. An automated system to manage assets and liabilities of a deferred compensation plan is taught.
- b. United States Patent Number 5,913,198 (Banks) 15 June 1999. A system and method for designing and administering benefit plans is disclosed.

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- c. United States Patent Number 4,951,196 (Jackson) 21 August 1990. A method and apparatus for performing electronic data interchange among trading partner groups is taught.
- d. United States Patent Number 5,806,047 (Hackel et al.) 08 September 1998. A data processing system is disclosed for contributed employer securities in pension accounts which is directed to control, tracking, and allocation of available assets among participants.
- e. United States Patent Number 6,085,174 (Edelman) 04 July 2000. A computer program product stores instructions for a computer to perform a process of administering resources in trust for a beneficiary.
- f. Forcier, Hugh. "Small Business Act Provides Inadequate Solution for Long Term Disability Plans," Pension & Benefits Week. November 4, 1996. pp. 5-9. Provision for continued funding of pension and defined contribution plans when an employee becomes disabled is taught.
- g. Davis, Philip T. "Gap in LTD Programs Can Disable Retirement," Best's Review. November 1994. pp. 100-101. Disability protection programs for continued funding of pension and defined contribution plans when an employee becomes disabled is taught.
- h. UNUM Long Term Disability Products. UNUM web page contents showing disability protection products is disclosed. Web page URL listing is:

[<http://www.unum.com/products/id/index.html>]. Listed on November 3, 1997. 7 pages.


- i. Blakely, Stephen. "Insuring Your 401(k) Contributions," Nation's Business. July 1998. P. 28. Retirement disability insurance taking over 401(k) payments during periods of employee disability is taught.
- j. "New Products Would Continue to Fund 401(k) Plans After Disability." *Best's Review*. May 1998. P. 66. Insurance products offered by Unum Life Insurance Co. of American and Corporate Compensation Plans for 401(k) disability insurance are taught.

Information Regarding Communication With the PTO

13. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Joe Parisi whose telephone number is 703-308-7808. The examiner can normally be reached on Monday through Thursday from 7am to 5pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Tariq Hafiz, can be reached on (703) 305-9643. The fax phone number for the organization where this application or proceeding is assigned is 703-308-6306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-305-5140.


Joe Parisi

February 21, 2001


TARIQ R. HAFIZ
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